

VZCZCXRO3492
RR RUEHGH
DE RUEHNJ #1216/01 2821114
ZNY CCCCC ZZH
R 091114Z OCT 06
FM AMEMBASSY NDJAMENA
TO RUEHC/SECSTATE WASHDC 4449
INFO RUEHUJA/AMEMBASSY ABUJA 1305
RUEHBJ/AMEMBASSY BEIJING 0046
RUEHDK/AMEMBASSY DAKAR 1208
RUEHKL/AMEMBASSY KUALA LUMPUR 0047
RUEHLO/AMEMBASSY LONDON 1586
RUEHNM/AMEMBASSY NIAMEY 2845
RUEHFR/AMEMBASSY PARIS 2014
RUEHYD/AMEMBASSY YAOUNDE 1387
RUEHGZ/AMCONSUL GUANGZHOU 0026
RUEHHK/AMCONSUL HONG KONG 0032
RUEHGH/AMCONSUL SHANGHAI
RUEHDC/USDOC WASHDC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 02 NDJAMENA 001216

SIPDIS

SIPDIS

PARIS AND LONDON FOR AFRICA WATCHERS, DEPT FOR AF, EB,
ENERGY FOR CAROLYN GAY AND GEORGE PEARSON, TREASURY FOR
OTA, DAKAR FOR FCS

E.O. 12958: DECL: 10/09/2016

TAGS: [ECON](#) [EFIN](#) [ENRG](#) [EPET](#) [PGOV](#) [CD](#)

SUBJECT: CHAD: CHEVRON/PETRONAS AGREE ON TAX PAYMENT

REF: A. NDJAMENA

[1](#)B. 001213

Classified By: CHARGE D'AFFAIRES LUCY TAMLYN FOR REASONS 1.4 (B) AND (D)
)

[1](#)1. (C) Summary: The Government of Chad (GOC) agreed October 6 to lift the suspension of oil consortium members Chevron and Petronas after Chevron and Petronas agreed to pay USD 281 in taxes. Payment will be made in a lump sum seven days after the agreement is officially promulgated. A Chevron representative unofficially described the deal as "not the worst, but not the best," and admitted that Chevron felt that leverage had been very much on the government's side during the negotiation. The next hurdle facing the oil consortium is the GOC's avowed intention to renegotiate the 1988 oil convention. Chevron, for one, recognizes that the GOC has successfully used a "divide and conquer" approach to dealing with the consortium, and hopes that members will be able to show a more united front in future dealings with the government. End Summary.

[1](#)2. (SBU) Chevron General Manager Carole Rock informed Charge October 6 that the Government of Chad had agreed to lift the suspension of oil consortium members Chevron and Petronas after the two members agreed to pay USD 281 in taxes. (Petronas was not present during the negotiations, having agreed to follow Chevron's lead in resolving the suspension.) The agreement, signed by Chevron's Africa Director and Finance Minister Tolli, will be sent to the Council of Ministers for approval. Once the Council of Ministers has signed and promulgated the decree, the companies have seven days to pay the USD 281 in one lump sum.

[1](#)3. (C) During a meeting October 6 with Charge, Rock described the deal as "not the worst, but not the best." She admitted that Chevron felt on the defensive during the negotiation, and had ended up agreeing to completely put aside the 2000 Tax Benefit Agreement. They were also unsuccessful in getting the GOC to agree to an amortization schedule similar to that of Esso. They did, however, receive

an "exoneration" which lowered the bill somewhat. They also were able to obtain agreement that they were not liable for penalties. Rock admitted to some unease during the negotiation when GOC negotiators argued that the agreement did not need to be passed as a law, and at one point, dismissed the need to even have the agreement promulgated as a decree. According to Rock, Chevron insisted on the utmost transparency of the agreement, lest it suffer a fate similar to that of the 2000 Tax Benefit Agreement (which the government later disavowed). Rock revealed that GOC officials had even argued that it wasn't necessary to specify the bank account number into which the payment would be made in the agreement -- another point on which Chevron insisted. Rock said that Finance Minister Tolli had proven to be a very tough negotiator, but appeared to be competent as well.

¶4. (C) Rock admitted that the Government's strategy of dealing with oil consortium members individually had given it greater leverage. She also noted that Chevron's lack of an N'djamena presence had been a disadvantage, as Chevron did not have established relationships with Chadian officials. As a result of this experience, Chevron may consider raising its profile in-country. Looking ahead to the GOC's avowed intention to renegotiate the 1988 oil convention, Rock noted that the consortium would need to stick together to be effective. While Chevron didn't eliminate the possibility of renegotiation, in her opinion, Esso had shown in other countries that it was not above "walking away."

¶5. (SBU) Rock informed Charge that Ambassador Andrew Young (accompanying Chevron representatives in his capacity as Director of the consulting firm "GoodWorks International") had obtained a meeting with President Deby. Rock said that his presence as a third party with experience in promoting

NDJAMENA 00001216 002 OF 002

development through the private sector may have been helpful in bringing the government to agreement, but she was not present at the meeting.

COMMENT

¶6. (C) Finance Minister Tolli has once again delivered an agreement that is very much in Chad's favor through a calculated series of moves which cleverly isolated Chevron and Petronas. The fact that the consortium members had earlier agreed that tax issues were solely the responsibility of individual members played to Chad's advantage. As a preview of the renegotiation of the 1988 convention, the consortium has undoubtedly gotten the message that it will be a tough ride ahead.
TAMLYN